

## COUNTY OF PLACER

## OFFICE OF AUDITOR-CONTROLLER

KATHERINE J. MARTINIS, CPA  
Auditor-Controller  
E-mail: [kmartini@placer.ca.gov](mailto:kmartini@placer.ca.gov)

ANDREW C. SISK, CPA  
Assistant Auditor-Controller  
E-mail: [asisk@placer.ca.gov](mailto:asisk@placer.ca.gov)

April 8, 2010

Thomas Miller, County Executive Officer  
County Executive Office, Placer County  
175 Fulweiler Avenue  
Auburn, CA 95603

Re: Department of Public Works Review – Phase1: Automotive Fleet Division

The Internal Audit Division of the Auditor-Controller's Office performed a review of the Automotive Fleet Division (Division) from July 1, 2008 through June 30, 2009. The purpose of our review was (a) to provide management with an independent assessment of the adequacy and effectiveness of the Division's internal controls, (b) to obtain an understanding of the policies and procedures for the use of the Fleet vehicle pool, repairs and maintenance, overnight vehicle assignments, vehicle purchases and retirement, fuel, inventory and labor usage, (c) to assess the utilization and adequacy of the County's vehicle fleet, and (d) to analyze whether the rate methodology used is accurately calculated and properly applied.

The Department of Public Works review consists of two phases; Phase 1 consisted of a review of the Automotive Fleet Division's operations. Phase 2 of this review will consist of the Department of Public Works' cash disbursements testing including credit card transactions, employee reimbursements, travel, training, cellular phone usage, capital assets, payroll, cash receipts, accounts receivable, other assets inventory, as well as procurement and contracts.

We interviewed staff at the Automotive Fleet Division in Auburn and Tahoe and spoke with other County departmental staff as necessary. We also took a sample of various transactions related to these areas for our testing. Based on our inquiries and the procedures performed, our summary of findings and recommendations are as follows.

## **Summary of Findings and Recommendations:**

### **Employee Driver's License Verification**

We noted during our review of the County's Vehicle Code (Article 2.100 of the County Codes) that the responsibility to ensure employees have a valid driver's license rests with each Department Head. Regular verification of employee driver's licenses is required pursuant to California Vehicle Code Section 1801.1. Compliance with the vehicle code would be more efficient if this task were centralized. In addition, employees should be required to participate in the DMV's Employer Pull Notice (EPN) Program; this would allow Risk Management to verify driver's licenses and statutory insurance in order to ensure the safety of employees while operating vehicles.

*We recommend the authority for periodic verification of driver's licenses be delegated to Risk Management and the Administrative Rules be revised to reflect this as a Risk Management responsibility. In addition, we recommend Risk Management implement a mandatory employee compliance program by utilizing the DMV's Employer Pull Notice (EPN) program.*

### **County Executive Office Response:**

*The County Executive Office concurs.*

### **Vehicle Title Custodian**

We noted title documents for the Sheriff's Office undercover vehicles are not kept with all other County vehicle title documents in Procurement. These vehicles are County property and Risk Management would need access to this proof of ownership in case of loss or theft.

*We recommend all title documents be held in one centralized location at Procurement in order to expedite processing of claims in case of loss or theft.*

### **Sheriff's Office Response:**

*To clarify, the use of cold plates; untraceable license plates, at the Sheriff's Office provides a secure and confidential means for our Deputies and staff to perform their job duties without the civilian population recognizing or identifying the vehicle as a Law Enforcement agency. Allowing access, even within the County, to our vehicle titles has potential to compromise the safety of our staff as these titles reference a vehicle identification number which can and is traceable. In addition to the safety of staff, permitting the Sheriff's Office to store titles onsite in a secure environment allows us to verify that the California Department of Motor Vehicles have released the hold on "cold plates" prior to the transfer of the vehicle, whether to another County department or for re-sale. The inaccessibility of County Procurement to have DMV release these cold plates prior to re-sale or auction has caused significant delays and coordination problems in the past.*

*Currently, vehicle titles are stored in a locked filing cabinet within the Fleet Services Unit of the Sheriff's Office where access is limited to Matt Burgans; which maintains the integrity of the unmarked vehicle. It is possible to provide the County with copies of the vehicle titles; however the vehicle identification number will be blacked out in order to retain the confidentiality of the vehicles.*

*County Executive Office Response:*

*The County Executive Office will work with the Sheriff's office to determine appropriate disposition and access to these records in the case of loss or theft.*

**Replacement (Loaner) Vehicles**

Fleet provides replacement (loaner) vehicles for personnel with assigned vehicles, which have been brought into the garage for service/repairs at no cost. The department does not incur rental charges while an assigned vehicle is in service, as well as for the first 24 hours after being notified by a phone call that the service/repairs have been done. For the replacement (loaner) vehicles, we selected a sample of 25 daily reservations out of 1,065 reservations for the period. During our testing, we noted one instance where a vehicle had been brought in for service which was completed in one day and Fleet notified the department by voicemail. The employee didn't receive the notification until much later, resulting in a rental charge for six days of \$342 to the department.

*We recommend Fleet change its department notification policy (when service/repair work is completed) by eliminating voicemail notification. If the person to whom the vehicle is assigned is unavailable, the department secretary or other employee should be notified and the note of a conversation with the person should be made on the reservation form.*

*Automotive Fleet Division Response:*

*Fleet concurs with the Auditor. Fleet will email the individual and their Department representative when the car is ready. If the individual does not have computer access to email a phone call to the individual and to a Department supervisor will be made, and a record kept. In addition, the email will have a notification statement alerting the Department that additional charges will be incurred if the vehicle is not picked up in the allotted time frame.*

**Daily versus Monthly Rental Rates Consideration**

During our testing of long-term rentals, we noted three instances of long term rentals (59 days, 84 days, and 134 days) which were billed at daily rental rates. The monthly rental option would have given renting departments a significant cost savings.

*We recommend that Fleet advise departments to utilize monthly rental assignments whenever possible, and encourage better projected needs estimates at the time of rental. If the department discovers long-term vehicle needs after checking out a vehicle and notifies Fleet of its long-term use intent, consideration should be given to switch department billing from daily to monthly rates.*

Automotive Fleet Division Response:

*Fleet has been currently engaged in educating all Departments in the most cost effective way to use fleet. Fleet will advise departments to take advantage of lower monthly rates when possible. We will continue to provide notification of annual rates and other regular reports giving Departments the information they need to manage their vehicles. We will provide consideration by allowing Departments to convert their daily rentals to monthly rentals, when appropriate.*

Department Head County Vehicle Use

According to the County Administrative Rules, Chapter 2, section 6.H.e, "Officials electing to receive the flat rate reimbursement (for the use of private vehicles on County business) shall not use County vehicles on official County business except as required in extraordinary circumstances." During our testing we found one instance where an official, receiving the flat rate reimbursement, requested and drove a County vehicle on official County business of an ordinary and routine nature outside the County. Section 6.H.a states, "Such officials electing to receive the flat rate reimbursement may, in addition, receive mileage reimbursement at the IRS rate for mileage driven within the county east of Baxter and outside the boundaries of Placer County."

*We recommend the Administrative Rules be revised to include, in Section 6.H.a., an option of utilizing a pool vehicle for travel outside the County or claiming personal mileage reimbursement, whichever is more cost efficient.*

County Executive Office Response:

*The Administrative Rules are currently under evaluation and recommendations are being developed for revisions and reconstruction of the Administrative Rules, as well as other County Policies. Recommendations and revisions will be brought forth by the County Executive Office and the Placer Administrative Manual (PAM) Committee including those regarding vehicle utilization and mileage reimbursement in the first quarter of the 2010-2011 fiscal year.*

Lack of Current Permanent Overnight Vehicle Assignment List

We noted upon our request, Fleet was unable to provide a current list of all permanent overnight vehicle assignments because they had not received completed forms from all departments. According to the County Administrative Rules, Chapter 2, 5.C.1., "The Director of Public Works shall maintain and annually update a list of all such permanently assigned vehicles."

*We recommend Fleet staff request from the departments the Permanent Overnight Vehicle Assignment forms on an annual basis and continue to follow up with unresponsive departments in a timely manner until a complete list can be generated.*

Automotive Fleet Division Response:

*The Fleet Division annually requests Permanent Overnight Vehicle Assignment Forms from all Departments and periodically follows up until they are received. We will continue to follow up more aggressively with Departments in an attempt to get them submitted and processed as soon as possible.*

County Executive Office Authorization

During testing of overnight vehicles, we noted none of the Sheriff's Office's Permanent Overnight Vehicle Assignment Request forms from July 2008 were signed by the County Executive Officer as required by Admin Rules Chapter 2, 5.C.1, "Permanent overnight assignment of County vehicles, including leased vehicles, shall be authorized only upon request of the department head, recommendation of the Director of Public Works, and approval by the County Executive Office."

*We recommend the County Executive Officer authorize all of the Sheriff's Office's Permanent Overnight Vehicle Assignments by signing them at his earliest convenience.*

County Executive Office Response:

*As indicated by County Counsel, the Sheriff has the constitutional authority to grant permanent overnight vehicle assignments. The County Executive Office will provide comment as necessary.*

*Under the proposed revised Administrative Rules/PAM, elected department heads would submit a listing of overnight vehicle assignments for their respective departments in a required annual report identifying all overnight vehicle assignments.*

Commuting Rule Taxation

During testing of overnight vehicles, we noted two exceptions in which employees' payroll tax forms were inconsistent with their taxation for overnight vehicles. The employees' had the selection for commuting rule taxation; however they were not taxed by Payroll.

*We recommend all overnight vehicles be entered by Payroll in a timely manner as to not cause any financial burdens on employees and to comply with applicable Internal Revenue Service rules and regulations.*

Auditor-Controller Response:

*We agree with the recommendation. Due to staffing shortages, these forms were overlooked and not processed timely. The changes have since been made in the payroll system and with the upcoming Accounting Technician replacement in Payroll, we will ensure overnight vehicles are properly handled in the future.*

## Year-End Inventory Count

We noted the mechanics assigned to the Tahoe garage are responsible for counting their inventory annually, near fiscal year-end. As a result of the 08/09 fiscal year-end inventory count, there were a number of discrepancies that suggest the need for strengthening inventory counting practices and procedures. Two employees from the Auburn garage went up to the Tahoe garage to investigate the inventory discrepancies and found a significant number of the inventory items.

*We recommend the mechanics be thoroughly trained to accurately and efficiently count all inventory items or have Auburn's inventory counters also count Tahoe's inventory at year-end.*

### Automotive Fleet Division Response:

*Employees performing the inventory have been retrained. This year's move to new facility at Cabin Creek is nearing completion. Parts inventory has been consolidated, organized, and streamlined at the new Tahoe facility with the assistance of staff responsible for our Auburn inventory. Our Auburn staff will be available to assist the Tahoe staff as necessary.*

## Fuel Exception Report

Currently, the Automotive Fleet Division runs the Fuel Exception Report quarterly, which shows under- or over- performing vehicles by displaying the industry standard of miles per gallon as opposed to the actual miles per gallon. The standards are outdated, as they were set years ago when vehicles weren't as efficient as they are now. Updated vehicle mileage per gallon needs to be entered as the standard to more accurately reflect true exceptions. In addition, if the vehicle's monthly mileage is not current in the system, the miles per gallon and variance will be skewed, causing the report to be inconclusive.

*We recommend Fleet run the report semi-annually or annually, after all the individual vehicle standards have been updated. Six to twelve months of data might better illustrate trends and exceptions, so Fleet staff can more accurately assess the maintenance needs of the vehicles. If the standards cannot be updated and current mileage reflected, we'd recommend eliminating the running and distributing of this report.*

### Automotive Fleet Division Response:

*We will update all of the fuel standards currently found within our software and based on our current fleet vehicles. The intent of the fuel exception report is to identify fuel use for vehicles which are not within an acceptable range. These exceptions require follow up to determine whether there is an equipment malfunction, damage or possible misuse of fuel. The Fleet division will review this process to determine its value and whether it can be done more efficiently.*

*After this review we will determine whether the monthly exception report process should be altered (particularly in regard to timeframe) or whether it should be distributed to Departments at all.*

## Voyager Fuel Card Usage Controls

During Fuel Usage testing, we reviewed the monthly Voyager Fuel Card activity reports from Fleet, however, we noted Fleet's records list the custodian of the Voyager Fuel Cards as the employee who went over to Fleet to pick up the card(s), not necessarily the person who actually utilizes the card. Numerous employees had multiple cards assigned to them in Fleet's records.

*We strongly recommend Fleet keep current and accurate records of the users of each Voyager card and hold the individual responsible for charges on the card by having the departments ensure they verify and sign for their monthly charges for the Voyager card. We also suggest the Fuel Credit Card Agreement be amended to include a certification statement that all charges on the card are for fueling County vehicles only, and a reminder that reimbursements will be sought for any unnecessary charges. Fleet should also work with Voyager / US Bank to get better electronic data of the specific departmental charges and regularly provide this data to departments so management can review the charges, similar to how they process their monthly charges on the County Cal Cards. Lastly, we strongly recommend monthly monitoring of charges by Fleet staff by looking at fueling trends and purchases to identify any inconsistencies or questionable purchasing.*

### Automotive Fleet Division Response:

*Fleet has currently issued approximately 400 Voyager cards. Voyager Cards are checked out to individuals within a Department but may be used by various other individuals who utilize a Department vehicle. It is not uncommon for a card to be used by multiple staff and/or be kept in a vehicle used by multiple persons. Fleet concurs that more direct accountability for cards by individuals would be beneficial. Fleet will work with our various Departments to strengthen controls on Voyager Card issuance and usage.*

*We will add the requested statements to the agreement signed by all individuals who are issued a Voyager Card and we will work with Voyager regarding the ability to provide detailed statements of individual Department charges. These individual department reports, if practicable, could then be reviewed and approved by each Department. Fleet staff does and will continue to review statements for questionable charges or irregularities.*

## Voyager Fuel Card Restricted Purchases

We noted several instances in which Voyager Fuel Cards were used to purchase items other than fuel. According to the Fuel Credit Card Agreement, the cards are only allowed to purchase fuel. Fleet staff sends out memos to remind the departments these purchases are not acceptable, however reimbursements are not sought and the memo is sent to the individual on file as being the custodian, not necessarily the user of the card.

*We recommend going forward, the employee responsible for the charges be required to reimburse the County for any non-fuel related purchases. This review and reimbursement process could be incorporated into the departmental reviews suggested above.*

Automotive Fleet Division Response:

*As discussed in the previous finding greater card accountability to individuals would be beneficial. Inappropriate purchases should be reimbursed by the user. We have recognized some non-fuel related purchases, although vehicle related, as acceptable. These are usually for windshield wiper fluid or motor oil. We do want users to have their vehicles in appropriate running condition and believe we should not discourage users from insuring they have a safe vehicle by purchasing appropriate materials if they are not near a county garage. All other purchases, particularly food and drink, needs to be reimbursed by the employee making the purchase.*

Vehicle Replacement Schedule

Fleet is responsible for replacing vehicles in accordance with their replacement schedules and their MOU with the Sheriff. Annually, Fleet estimates the Sheriff's need for replacement vehicles without information from the Sheriff that may have an impact on Fleet's estimates. In the current year, there was potentially an excess of ten Sheriff vehicles if Fleet proceeded to purchase six new patrol cars based on their estimates. With a meeting among all parties including Procurement and Internal Audit, it was decided that the purchase of the six vehicles would not go to the Board of Supervisors for approval, saving the County approximately \$156k in fiscal year 09/10.

*In the future, we recommend Fleet and Sheriff work together to determine the number of vehicles to be purchased as replacements each year.*

Automotive Fleet Division Response:

*The Fleet Division concurs. Collaboration on vehicle purchases becomes most important when a Department may be making changes to their historical operations that affects how they utilize their fleet.*

Mid-year Rate Analysis

We noted at June 30, 2009, the Fleet ISF has \$5.6M in unrestricted net assets. Of this, \$3.5M is in reserves and designations (general reserve, reserve for fuel surcharge, Tahoe relocation, fixed asset acquisition and encumbrances) with the remaining \$2M being unrestricted, unreserved, and undesignated. Sixty days of working capital is \$1.4M, calculated as total operating expenditures for the year divided by 6 (or 2 months.) Therefore, Fleet ISF has \$600k in excess reserves that are unrestricted, unreserved, and undesignated. According to the "Handbook of Cost Plan Procedures for California Counties," published by the California State Controller, "Each ISF should regularly prepare and examine its financial condition at least midway through each fiscal year. If a material profit or loss is projected for the end of the fiscal year, the fund's billing rates should be adjusted during the year."

*Since Fleet has \$3.5M in reserves and designations (part of unrestricted net assets,) we recommend the current rates and cost methodology be reviewed and adjusted to eliminate excessive reserves and prevent future accumulation of excess reserves.*




Automotive Fleet Division Response:

*Fleet Division rates are currently reviewed and reset every year as part of the budget process. Due to prudent Board policies, Fleet division reducing costs and Departments striving for cost savings, the Fleet Division has begun accumulating excess reserves. At the beginning of the 2009/2010 fiscal year, Fleet eliminated a \$0.04/mile charge for fuel from previously approved rates. In addition the Board of Supervisors has heard and will consider as part of their final budget hearings for 2010/2011 a proposed rebate of \$1,377,478 to fleet users for the 2010/2011 fiscal year. This rebate will substantially reduce the Fleet Divisions reserves but maintain them at an adequate level.*

The Departments' responses to the recommendations identified in our review are included above. We did not audit the Departments' responses and, accordingly, we express no opinion on them.

We appreciate the courtesy and assistance of staff from all departments throughout the course of our review.

Sincerely,



Katherine J. Martinis, CPA  
Auditor-Controller

cc: Ken Grehm, Director of Public Works  
Bob Blaser, Assistant Director of Public Works  
Chuck Gordon, Fleet Manager, Public Works Department  
Cynthia Taylor, Senior Administrative Services Officer, Public Works Department  
Nicole Howard, Internal Audit Manager  
Placer County Audit Committee